



**PARTNERS**

**Partnership In  
Maximizing Category Profit**

## **Retail Partner Programs**

**1995 Retail Merchandising**

**1995 Retail Co-Marketing**

*RJ Reynolds*  
Tobacco Company



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# Retail Partners Program Background

- The cigarette industry has changed dramatically over the past few years:
  - *Price rollback*
  - *B&W / ATC merger*
- RJR's needs have changed:
  - *Link trade programs*
  - *Support strategic brands at Retail*
  - *Develop foundation for future growth*
- Retailers needs have also changed :
  - *Address customer needs in all relevant price tiers*
  - *Competition from other retailers / classes of trade*
  - *Increase customer traffic & loyalty*

  
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## **Retail Partners Program Objectives**

- **Create meaningful partnerships with the Retail Trade.**
- **Provide “Total Category Partners” with a clear point-of-difference.**
- **Position RJR to serve as the true “Category Advisor”.**
- **Maximize Retailer and RJR Profits.**
- **Develop foundation for future growth of Retailer profit and RJR brands.**



# **Retail Partners Program**

## **Summary of Changes**

- ***Merchandising***

- Shift to performance based merchandising (based on RJR volume).
- Linkage to marketing objectives at retail -- 2 full price feature displays and 1 savings.

- ***Co-Marketing***

- Co-Marketing Funds - greater impact / point of difference.
- Co-Marketing Funds - linked to merchandising and RJR volume.

- ***Program Management***

- Partnership approach to retail needs / priorities.
- Field sales flexibility and targeting for long-term growth.

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# **1995 Merchandising Program - Pack Outlets *Program Requirements***

## Elements:

### **Merchandising**

#### **Base**

- 2 - Full Price Displays
- 1 - Savings Display
- Share of Signage
- RJR - no competitive disadvantage



### **Co-Marketing**

- Accrual fund to promote RJR Full Price Brands
- 2 levels of Partnership:
  - Total Category Partner - RJR "Everyday Low Price" brand
  - Merchandising Partner - No RJR "Everyday Low Price" brand

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# 1995 Merchandising Program Requirements Self Service Pack Outlets

Base Participation
<ul style="list-style-type: none"> <li>• Retailer agrees to maintain:               <ul style="list-style-type: none"> <li>- RJR Full Price Display in Primary Position</li> <li>- RJR Full Price Display in a 2nd, 3rd or 4th Full Price position</li> <li>- RJR Savings Brand Display in a Primary Savings Position</li> </ul> </li> <li>• Retailer further agrees to:               <ul style="list-style-type: none"> <li>- Display RJR "Lowest" brands, if applicable</li> <li>- Provide RJR accurate volume information                   <ul style="list-style-type: none"> <li>- Authorize primary and other suppliers to release brand style volume information to RJR.</li> </ul> </li> <li>- Provide RJR share of available signage (excluding signage on fixtures/displays) equal to RJR Share of Market.</li> <li>- Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative</li> <li>- Ensure RJR brands are represented in all price tiers as required.</li> <li>- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.</li> <li>- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.</li> <li>- Accept new RJR brand styles as requested by RJR representative</li> </ul> </li> <li>• RJR reserves the right for final approval of display/advertising sizes and locations.</li> </ul>



Pay For Performance
Retailer earns payment based on performance of program requirements and RJR volume.



Co-Marketing
Meet all requirements specified for base participation. Retailer uses Co-Marketing to drive RJR volume.

	Lower Range	CURRENT	Next Higher Range
RJR CPW	<input type="text"/>	<input type="text"/>	<input type="text"/>
RJR Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

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# 1995 Merchandising Program Requirements

## Non-Self Service Pack Outlets

Base Participation
<ul style="list-style-type: none"> <li>Retailer agrees to maintain:               <ul style="list-style-type: none"> <li>RJR Full Price Display in Primary non-self-service position</li> <li>RJR Full Price Display in a 2nd, 3rd or 4th Full Price non-self-service position</li> <li>RJR Savings Brand Display in a Primary Savings non-self-service position</li> </ul> </li> <li>Retailer further agrees to:               <ul style="list-style-type: none"> <li>Display RJR "Lowest" brands, if applicable</li> <li>Provide RJR accurate volume information                   <ul style="list-style-type: none"> <li>Authorize primary and other suppliers to release brand style volume information to RJR.</li> </ul> </li> <li>Provide RJR share of available signage (excluding signage on fixtures/displays) equal to RJR Share of Market.</li> <li>Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.</li> <li>Ensure RJR brands are represented in all price tiers as required.</li> <li>Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.</li> <li>Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.</li> <li>Accept new RJR brand styles as requested by RJR Representative.</li> </ul> </li> <li>RJR reserves the right for final approval of display/advertising sizes and locations.</li> </ul>



Pay For Performance
Retailer earns payment based on performance of program requirements and RJR volume.



Co-Marketing
Meet all requirements specified for base participation. Retailer uses Co-Marketing to drive RJR volume.

	Lower Range	CURRENT	Next Higher Range
RJR CPW	<input type="text"/>	<input type="text"/>	<input type="text"/>
RJR Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

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## 1995 Merchandising Program - Self Service Carton Outlets *Program Requirements*

Base Participation	
•	Retailer agrees to maintain: <ul style="list-style-type: none"> <li>- Self-Service RJR Package Merchandiser(s) in Primary Position</li> <li>- Space for RJR cartons equal to RJR SOM. Minimum space determined by RJR. Separate Full Price and Savings sections required</li> <li>- RJR brands on top shelves contiguous</li> <li>- Advertising located over RJR brands</li> </ul>
•	Retailer further agrees to: <ul style="list-style-type: none"> <li>- Provide RJR accurate volume information               <ul style="list-style-type: none"> <li>- Authorize primary and other suppliers to release brand style volume information to RJR.</li> </ul> </li> <li>- Provide RJR share of available signage (excluding signage on fixtures/displays) equal to RJR Share of Market.</li> <li>- Ensure RJR brands are represented in all price tiers as required.</li> <li>- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display</li> <li>- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.</li> <li>- Accept new RJR brand styles as requested by RJR Representative.</li> </ul>
•	RJR reserves the right for final approval of display/advertising sizes and locations.



Pay For Performance
Retailer earns payment based on performance of program requirements and RJR volume.



Co-Marketing
Meet all requirements specified for base participation. Retailer uses Co-Marketing to drive RJR volume.

	Retail Partners		
	Lower Range	CURRENT	Next Higher Range
RJR CPW	<input type="text"/>	<input type="text"/>	<input type="text"/>
RJR Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

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## 1995 Merchandising Program - Non-Self Service Carton Outlets *Program Requirements*

Base Participation	
•	Retailer agrees to maintain: <ul style="list-style-type: none"> <li>- RJR Package Merchandiser(s) in Primary position (Self-Service)</li> <li>- Space for non-self-service cartons equal to RJR SOM. Minimum space determined by RJR. Separate Full Price and Savings sections required</li> <li>- RJR brands on top shelves contiguous</li> <li>- Advertising located over RJR brands.</li> </ul>
•	Retailer further agrees to: <ul style="list-style-type: none"> <li>- Provide RJR accurate volume information               <ul style="list-style-type: none"> <li>- Authorize primary and other suppliers to release brand style volume information to RJR.</li> </ul> </li> <li>- Provide RJR share of available signage (excluding signage on fixtures/displays) equal to RJR Share of Market. <i>Ensure RJR brands are represented in all price tiers as required</i></li> <li>- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.</li> <li>- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.</li> <li>- Accept new RJR brand styles as requested by RJR representative.</li> </ul>
•	RJR reserves the right for final approval of display/advertising sizes and locations.

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Pay For Performance
Retailer earns payment based on performance of program requirements and RJR volume.

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Co-Marketing
Meet all requirements specified for base participation. Retailer uses Co-Marketing to drive RJR volume.

Retail Partners			
	Lower Range	CURRENT	Next Higher Range
RJR CPW	<input type="text"/>	<input type="text"/>	<input type="text"/>
RJR Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

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# 1995 Merchandising Program - Cigarette Outlets *Program Requirements*

Base Participation
<ul style="list-style-type: none"> <li>Retailer agrees to maintain:                             <ul style="list-style-type: none"> <li>RJR Full Price Pack Display/merchandiser in Primary position</li> <li>RJR Savings Brand Pack Display/merchandiser in Primary position</li> <li>Parity representation for displays at register (selling area), Full Price and Savings Brands</li> <li>"Feature" Savings Center in a Primary Savings position</li> <li>Other Savings Center if applicable</li> <li>Full Price Carton merchandiser - RJR brands</li> <li>Dedicated promotional space for RJR brands, Pack and Carton</li> <li>Indoor and Outdoor "high impact" signage</li> <li>Share of signage equal to RJR SOM</li> </ul> </li> <li>Retailer further agrees:                             <ul style="list-style-type: none"> <li>Provide RJR accurate volume information                                     <ul style="list-style-type: none"> <li>Authorize primary and other suppliers to release brand style volume information to RJR.</li> </ul> </li> <li>Provide RJR share of available signage (excluding signage on features/displays) equal to RJR Share of Market.</li> <li>Ensure RJR brands are represented in all price tiers as requested.</li> <li>Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.</li> <li>Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.</li> <li>Accept new RJR brand styles as requested by RJR representative.</li> </ul> </li> <li>RJR reserves the right for final approval of display/advertising sizes and locations.</li> </ul>



Pay For Performance
Retailer earns payment based on performance of program requirements and RJR volume.



Co-Marketing
Meet all requirements specified for base participation. Retailer uses Co-Marketing to drive RJR volume.

	Retail Partners		
	Lower Range	CURRENT	Next Higher Range
RJR CPW	<input type="text"/>	<input type="text"/>	<input type="text"/>
RJR Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

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**1995 Co-Marketing Promotion Accrual Program**  
**Partnership Definition**

<u>Total Category Partner</u>	<u>Merchandising Partner</u>	<u>Non-Partner</u>
Base Merchandising Elements	Base Merchandising Elements	No Base Elements
RJR Everyday Low Price Brand	No RJR EDLP Brand	N/A
Maximum Per Carton Rate	Lower Per Carton Rate	N/A
Premium Menu Option	No Premium Menu Option	N/A
Option to Match	Must Match	N/A

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**1995 Co-Marketing Promotion Accrual Program**  
*Applies to both Pack and Carton Outlet Co-Marketers*

**Co-Marketing:**

- Accrual fund to promote RJR Full Price brands.
- Fund accrues monthly.
  - Utilized quarterly
- Unused funds can be rolled to subsequent quarters.
  - No rollover to subsequent year

**Total Category Partner**

\$

**Merchandising Partner**

\$

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**Retail Partners**  
**Earnings Comparison**

	<u>1994</u>	<u>1995</u>	<u>Difference</u>
Merchandising \$			
Co-Marketing \$			
Total \$			

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## The Co-Existence Strategy

Exposure  
It takes all kinds of  
cigarettes to make the  
category #1.

Selection  
The majority of  
cigarette consumers  
don't buy the best  
selling brand.

**Co-Existence is Best For the Retailer**

Inventory  
Inventory doesn't sell  
cigarettes. Displays  
sell inventory.

Promotions  
The more you do for  
your customers, the  
more you do for your  
sales.

***Don't Sell Yourself Short !***

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**Recommendations :**

**We look forward to working with you as a partner to achieve success in meeting the needs of our consumers and cigarette category objectives in 1995.**

***Thank You !***

***RJ Reynolds***  
Tobacco Company